



Century**Link**TM

Science/Technology/Telecommunications Interim Committee

August 7, 2014

Leo Baca – State Legislative Affairs Director

Summary and State Implications

CAF II Order and Further Notice of Proposed Rulemaking
(FCC DA 14-54, WC Docket No.10-90, et al)

Connect America Fund (CAF) Phase II Update

Review

- CAF Phase II is the FCC's program to deploy broadband networks in selected unserved high cost areas served by price cap carriers.
- The CAF II process:
 - Price cap ILECs will be offered CAF II funding for qualified locations for a 5 year period, along with a right of first refusal (ROFR) at a statewide level.
 - If a price cap ILEC exercises the ROFR, the CAF II support and markets will be subdivided and auctioned, in a to be determined manner, and the support will be paid to the winning bidder for a period of 10 years.

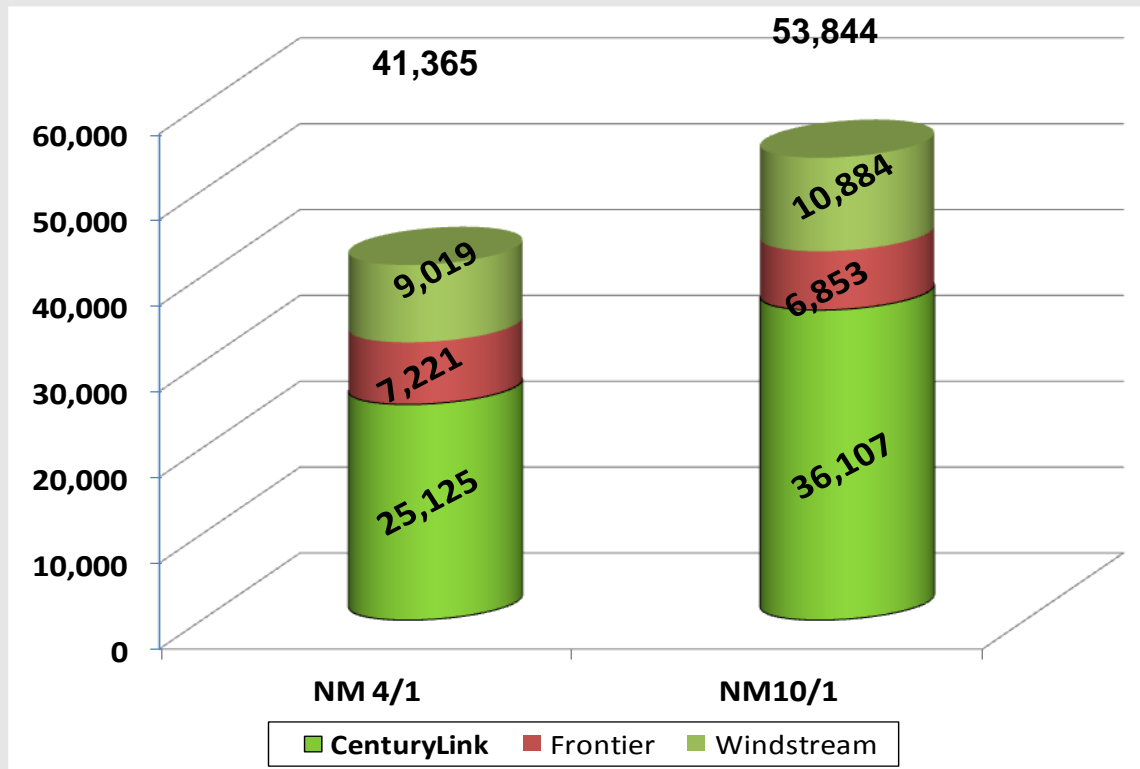
Status

- The FCC's June 10th CAF II Order and Further Notice of Proposed Rule Making (FNPRM) decided a number of issues and put forth a number of critical potential changes for comment
- The FCC is nearing the finish line on developing the rules for CAF II and has expressed clear intent to start CAF II in 2015.
 - Comments regarding the proposed changes in the FNPRM are due August 8, 2014, with replies due September 8, 2014.

The latest CAF II FNPRM seeks input on key issues

- The FNPRM seeks comment on increasing the CAF II broadband speed requirement to 10 Mbps downstream, up from 4 Mbps previously contemplated.
- The proposed increase to 10 Mbps, combined with making areas without 10 Mbps service today potentially CAF II eligible, would increase the number of eligible areas and households that could benefit under CAF II.
- The FCC is considering allowing flexibility in final build-out plans. This change will increase the number of households enabled with broadband through the program via a location substitution process.
- The FNPRM also seeks comment on whether is acceptable to require less than 100% buildout; recognizing that some areas may will be cost prohibitive to build.
- Lastly, the FCC is seeking comment on increasing the length of the funding time period for price cap ILECs that accept the state-level commitment to up to 10 years.

More New Mexico Customers could benefit under a 10 Mbps speed requirement



NEW MEXICO

Approval of 10/1 versus 4/1 is the difference between **53,844** and **41,365** households and businesses receiving new and faster broadband

Remaining Issues of Concern

1. The best opportunity for robust, scalable fiber-rich broadband capable networks delivered to the largest number of households is through a state level commitment by incumbent wireline carriers like CenturyLink.
2. Auctions are risky, undetermined and will take time. They will likely leave many areas unserved and unfunded and will involve new, untested providers and business plans.
3. If the FCC increases the broadband speed threshold to 10 Mbps, then the CAF II funding period should be increased as well to incent investment.
4. Funding and build-out obligations should be flexible to increase the number of households enabled and to better match actual network deployment requirements.
5. Without an effective challenge process and location flexibility, vast areas of rural America will be left behind; based on overstated and unproven claimed coverage on the National Broadband Map by other providers
 - a) A large number of households will be denied broadband simply because they are in areas that are partially served by a cable provider or WISP
 - b) Unlicensed fixed wireless internet service (WISP) is deemed an adequate solution in terms of price and service for many households, including areas that may be technically unreachable

The Right Answers for Rural America

CenturyLink encourages state leaders to help maximize the households and businesses that will benefit from CAF II by:

- *providing comments or letters to the FCC in support of these changes*
- *participating in the challenge process*

1. Adopt the 10 Mbps standard and extend the funding period for the state level commitment from the current 5 years to 10 years;
2. Support key improvements to CAF II that will maximize the number of households that benefit from new and faster broadband under CAF II and avoid the risk of auctions:
 - a) allow flexibility to build to any high cost location including those in partially served census blocks in order to maximize household coverage
3. Increase potential households that benefit from CAF II by conducting a robust challenge process that insures that coverage is not overstated; competitive providers must do more than claim to serve an area.
 - a) the challenge process was initiated June 30th with 45 days for CenturyLink to identify additional areas (August 14th) that should be eligible for funding.